



April 27, 2004

Mr. Ali Amirali
Director of Transmission Management
Calpine Corporation
4160 Dublin Blvd, Suite 150
Dublin, CA 94568-3139

Subject: Calpine Los Esteros Critical Energy Facility Interconnection

Dear Mr. Amirali:

This is in response to your letter dated April 14, 2004 regarding the existing transmission interconnection of the Los Esteros Critical Energy Facility (LECEF). Currently, LECEF consists of four LM 6000 combustion turbines with a combined output of 195 MW. It is connected to PG&E's Los Esteros-Nortech 115 kV transmission line in a tap configuration. The California ISO (Cal-ISO) approved the LECEF interconnection in May 2003.

The final plan for interconnection of the plant was to re-connect it to the Los Esteros substation. Originally, it was planned to connect LECEF to the 115 kV bus of the Los Esteros Substation by a double-circuit radial line. However, after the Silicon Valley Power (SVP) proposed to construct a new 230 kV Northern Substation and a 230 kV Northern – Los Esteros transmission line, the plans for the final interconnection of the LECEF Project were modified. Presently, the final plan is to connect LECEF directly to the 230 kV switching station owned by SVP. PG&E is conducting studies to evaluate this interconnection.

However, Calpine does not intend to complete this interconnection until the LECEF is converted to a combined cycle facility. Calpine filed an application with the California Energy Commission for the conversion, which will increase the plant's capacity to 330 MW. In the letter of April 14, 2004, Calpine stated that the conversion to the combined cycle operation is expected to occur in 2008, but could be delayed beyond 2008 depending on market conditions. The letter asked for the Cal-ISO's concurrence for the LECEF plant to remain on the tap interconnection while the plant is operating in simple cycle.

After reviewing the present LECEF interconnection, the Cal-ISO confirms that the existing interconnection adequately satisfies the Cal-ISO reliability requirements as long as LECEF remains a 195 MW simple cycle plant and the existing protection scheme is adequate. It would be acceptable for LECEF to stay

interconnected to the transmission system in a present arrangement until the facility is converted to a combined cycle plant. However, the generation developer should be aware that the tapped interconnection of the Los Esteros plant is less reliable than the dedicated circuits. With this interconnection, there will be higher exposure to scheduled and forced outages.

If you have any questions regarding this letter please call Jeff Miller at (916) 351-4464 (jmiller@caiso.com) or Irina Green at (916) 608-1296 (igreen@caiso.com).

Sincerely,

Original signed by

Jeffrey Miller
Regional Transmission Manager

GrdPIn\IG:ig

cc: Mr. Duncan Brown
Calpine Corporation
4160 Dublin Blvd.
Dublin, CA 94568

Armando Perez (ISO)
Manho Yeung (PG&E)
Steven Ng (PG&E)
Mike VanRemoortere (PG&E)
Richard Cashdollar (ISO)
Gary DeShazo (ISO, e-mail)
Ty Larson (ISO, e-mail)
Kevin Feusi (ISO, e-mail)
Grid Planning (e-mail)